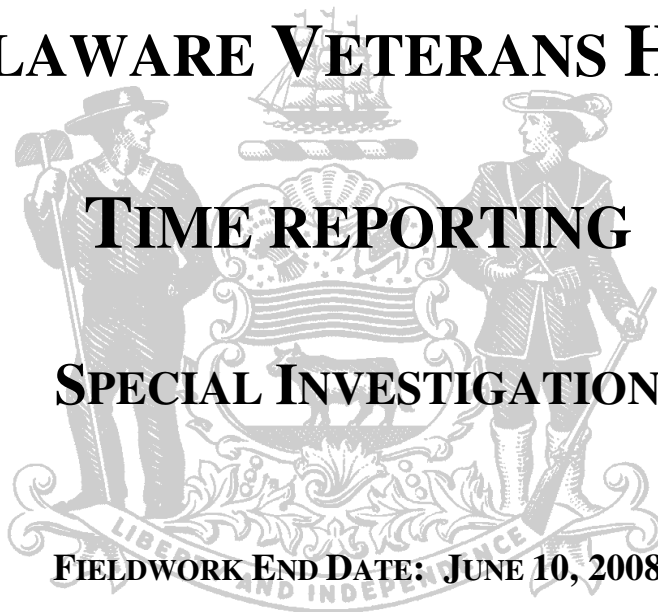


STATE OF DELAWARE
OFFICE OF
AUDITOR OF ACCOUNTS

DELAWARE VETERANS HOME



FIELDWORK END DATE: JUNE 10, 2008

R. THOMAS WAGNER, JR., CFE, CGFM, CICA
AUDITOR OF ACCOUNTS

Townsend Building, Suite 1
401 Federal Street
Dover, DE 19901
TELEPHONE 302-739-4241
FACSIMILE 302-739-2723
www.state.de.us/auditor/index.htm



State of Delaware
Office of Auditor of Accounts
R. Thomas Wagner, Jr. – CFE, CGFM, CICA
At a Glance

Working Hard to Protect YOUR Tax Dollars

Why We Did This Review

The Office of Auditor of Accounts (AOA) received the following allegations regarding the Delaware Veterans Home (DVH) in Milford:

- The timekeeping system is not used properly.
- Some employees are paid inappropriately for overtime.

Background

DVH is operated under the Secretary of State. The mission of DVH is to provide outstanding long-term care services to Delaware Veterans that uphold dignity and respect while sustaining and improving their quality of life. The facility, located in Milford, houses a 30-bed dementia unit and a 30-bed domiciliary, in addition to the 90-beds reserved for skilled and/or intermediate care for Delaware's veteran community. The home opened to residents in June 2007.

For further information on this release, please contact:

Nicholas Adams
(302) 857-3945 Direct
(302) 222-5032 Mobile

DELAWARE VETERANS HOME – TIME REPORTING

What We Found

AOA determined:

- DVH paid for a biometric time tracking system yet did not mandate its use or utilize it to its capability.
- There were numerous instances in which there was no support or documentation for hours worked by employees. Missing support included biometric time tracking logs, timesheets, and leave slips.
- There were numerous instances in which there was insufficient evidence that overtime was properly approved. Coupled with a lack of documentation, AOA could not determine if the overtime hours were actually worked.
- One employee was paid twice for a holiday. The employee was overpaid by 7.5 hours, which totaled \$403.94.
- The Office of Management and Budget (OMB) approved certain employee classes, including Registered Nurses, Licensed Practical Nurses, Certified Nursing Assistants, Cooks and Food Service workers, to be paid time and a half when they work a double shift even if they have not worked either 37.5 or 40 hours in the workweek. This approval applies to some employees within DVH. When sufficient documentation was present, AOA determined the approval from OMB was properly applied to calculate overtime pay. However, AOA identified numerous instances where there was a lack of evidence of approval for the overtime for some employees in those classes.

What We Recommend

DVH should maintain proper support for payroll records. Support should include, but is not limited to:

- Standard documentation of hours worked.
- Approved leave slips.
- Approved compensatory and/or overtime hours.

DVH should request repayment of the \$403.94.

DVH should either (a) utilize the biometric time tracking system or (b) discontinue the use of and the payment for the biometric system and develop a standard time reporting process.

Please read the complete report for a full list of findings/recommendations and to review DVH's response to our findings.

TABLE OF CONTENTS

Audit Authority	1
Allegation and Background	2
Objectives, Scope, and Methodology	3
Conclusions	4
Findings and Recommendations	5
Distribution of Report	7

AUDIT AUTHORITY

Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to file written reports containing:

1. Whether all expenditures have been for the purpose authorized in the appropriations;
2. Whether all receipts have been accounted for and paid into the State Treasury as required by law;
3. All illegal and unbusinesslike practices;
4. Recommendations for greater simplicity, accuracy, efficiency, and economy; and
5. Such data, information, and recommendations as the Auditor of Accounts may deem advisable and necessary.

ALLEGATIONS AND BACKGROUND

ALLEGATION

The Office of Auditor of Accounts (AOA) received the following allegations regarding the Delaware Veterans Home (DVH) in Milford:

- The timekeeping system is not used properly.
- Some employees are paid inappropriately for overtime.

BACKGROUND

DVH is operated under the Secretary of State. The mission of DVH is to provide outstanding long-term care services to Delaware Veterans that uphold dignity and respect while sustaining and improving their quality of life. The facility, located in Milford, houses a 30-bed dementia unit and a 30-bed domiciliary, in addition to the 90-beds reserved for skilled and/or intermediate care for Delaware's veteran community. The home opened to residents in June 2007.

OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The objective of the investigation was to verify that employees were paid appropriately and in accordance with the State of Delaware Budget and Accounting Manual, Merit Rules, and Delaware Code for both regular and overtime hours worked.

SCOPE

The scope of the investigation included a review of time records and payroll for the period of June 2007 through December 2007. The investigation was performed in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Investigations*.

METHODOLOGY

Investigative techniques included:

- Interview and inquiry.
- Inspection and confirmation of documentation.

The investigation consisted of the following procedures:

- Reviewed policies and procedures, laws, and regulations.
- Tested time records, leave records, and payroll records.
- Performed interviews and inquiries.

CONCLUSIONS

Allegation	Results of Testing	Conclusions
<p>The timekeeping system is not used properly.</p>	<p>DVH uses a biometric time tracking system (system). The system is used to record an employee's thumb imprint. Each employee is also assigned a unique identification number. In order to enter and leave the building, an employee is to allow the system to read his or her thumb imprint. Once the system reads the employee's thumb imprint, the system records the time the employee entered or left the building.</p> <p>The system was not used as the primary basis to track time and the system was not fully functional until November 2007. DVH used the system prior to full functionality; however, other methods were used concurrently. During the time that the system was not fully functional, there were various methods for tracking time. Some employees submitted timesheets, some employees did not use the biometric time tracking system, and some supervisors only required exception-based time reporting (e.g. an employee is assumed to have worked 75 hours unless a leave slip or some other type of document was submitted to substantiate time off).</p> <p>AOA determined there were numerous instances in which there was no support or documentation for hours worked by employees. Missing support included biometric time tracking logs, timesheets, and leave slips.</p>	<p>Substantiated.</p>
<p>Some employees are paid inappropriately for overtime.</p>	<p>AOA tested payroll transactions and supporting documentation to determine if employees were paid appropriately. AOA identified numerous instances in which there was insufficient evidence that overtime was properly approved. DVH management indicated that overtime hours were approved; however, due to lack of support/documentation, AOA could not determine if the hours were approved. During testing of payroll transactions, AOA determined that one employee was paid twice for a holiday. The employee was overpaid by 7.5 hours, which totaled \$403.94.</p> <p>The Office of Management and Budget (OMB) approved certain employee classes, including Registered Nurses, Licensed Practical Nurses, Certified Nursing Assistants, Cooks and Food Service workers, to be paid time and a half when they work a double shift even if they have not worked either 37.5 or 40 hours in the workweek. This approval applies to some employees within DVH. When sufficient documentation was present, AOA determined the approval from OMB was properly applied to calculate overtime pay. However, AOA identified numerous instances where there was a lack of evidence of approval for the overtime for some employees in those classes.</p>	<p>Unable to conclude due to lack of documentation.</p>

FINDINGS AND RECOMMENDATIONS

Finding

Per review of payroll transactions, AOA identified numerous instances of:

- Insufficient evidence that overtime was properly approved;
- Missing leave slips;
- Lack of approval of leave slips; and
- Missing timesheets.

In addition, AOA determined that one employee was paid twice for a holiday. The employee was overpaid by 7.5 hours, which totaled \$403.94.

Good controls require proper, consistent support for payroll transactions as well as consistent policies and procedures for time reporting.

Lack of support results in questionable payroll transactions. DVH attributed the lack of documentation to a learning curve in opening a new location as well as incomplete/incorrect programming by the vendor that supplied the biometric time tracking system.

Recommendation

DVH should:

- Maintain proper support for payroll records. Support should include, but is not limited to:
 - Standard documentation of hours worked.
 - Approved leave slips.
 - Approved compensatory and/or overtime hours.
- Request repayment of the \$403.94.
- Develop consistent policies, procedures, and processes related to time reporting and payroll.
- Either (a) utilize the biometric time tracking system or (b) discontinue the use of and the payment for the biometric system and develop a standard time reporting process.

Auditee Response

- The biometric time tracking system, KRONOS, has been implemented in stages. During the audit period, as the Home opened and the facility was being staffed, KRONOS had been installed and configured and employee profiles were being loaded and used to record staff arriving and leaving the facility each day. All staff currently utilize the system and reports are available for payroll. KRONOS is a widely used system by 24-hour care institutions and the department will continue to monitor its use as a human resource tool.

FINDINGS AND RECOMMENDATIONS

- During the audit period, the Home had written procedures for the handling of payroll and leave. Timesheets and signed overtime approval slips were required in addition to the information provided from KRONOS. The use of timesheets for clinical staff was deemed necessary because of the complexity of calculating overtime pay, holiday pay, and shift differential. Apparently, timesheets were not initially required for non-clinical staff (i.e. administrative staff) who routinely work 75 hours per pay period. By virtue of making no payroll changes in the "Payline" program of PHRST for these administrative employees, the Home was certifying that the employees worked 75 hours. My understanding is this is no different when using "Time and Labor". It is a system of "exceptions" which negates the need for paper records when an employee routinely works 75 hours at "regular" time. When overtime, holiday pay, leave, and shift differential are part of the mix, written documentation is required as back up.
- As stated above, the Home had a written policy in place that required signed overtime approval slips. A review of the payroll records reviewed by your office indicate there is documentation for an overwhelming majority of overtime pay during the audit period. Additionally, it appears that many of the instances cited for no overtime approval slips in November 2007 probably occurred because of three November holidays where overtime pay is automatic for those working on a holiday.

In November 2007, in an effort to strengthen the internal controls surrounding payroll preparation, the financial and human resources sections of the Home began sharing and coordinating time and leave information to make sure payroll is accurate and adequately documented. That has continued.

- An employee was overpaid \$403.94 in a pay period in November 2007. The employee has been notified by certified letter that she is responsible for remitting the overpayment to the State of Delaware. The department properly applied the "7.5/75 or 8/80 rules" for overtime pay when a double shift was worked. Overtime is being properly approved.

Auditor Comment

During the period covered by the scope of the investigation, June 2007 through December 2007, AOA identified weaknesses in the time reporting processes at DVH. These weaknesses are detailed in pages 4 and 5 of this report. The improvements noted in the Auditee Response section were not within the period investigated by AOA.

DISTRIBUTION OF REPORT

Copies of this report have been distributed to the following public officials:

Executive

The Honorable Ruth Ann Minner, Governor, State of Delaware

Legislative

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable Joseph R. Biden III, Attorney General, Office of the Attorney General

Other

The Honorable Harriet Smith-Windsor, Secretary of State, Department of State

Mr. Albert Carter, Deputy Principal Assistant, Department of State

Mr. Dean Reid, Administrator, Delaware Veterans Home, Department of State